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ECONOMIC AND INDUSTRIAL AFFAIRS

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INTERNATIONAL AFFAIRS

GDR SEEN LIMITING CEMA EXPORTS TO ENTER WORLD MARKET

Munich SUEDEDEUTSCHE ZEITUNG in German 4 Mar 81 p 21

[DPA report from Berlin: "GDR Wants To Deliver More to the World Market--Cautious Disentanglement of Economic Relations in East Bloc"]

[Text] The GDR is trying to free up deliveries of goods for the world market by means of a cautious disentanglement of its economic relations with Czechoslovakia and Poland. The strategy is part of an increased export offensive proposed for the 1981/85 Five-Year Plan. The products most profitable for exporting are slowing being redirected. Even in the current year the GDR intends to expand its foreign trade turnover by 16 percent in terms of value.

The change in the export structure vis-a-vis the partners in the Eastern economic community, the Council for Economic Mutual Assistance (CEMA) is obviously being undertaken by the GDR with a long-term view and independent of the decline in growth in the Western industrial nations, which further complicates the already difficult marketing opportunities for GDR products. This is indicated by the low growth rates in the foreign trade turnover projected by the new five-year plan for the socialist states.

Moscow Puts the Brake on Oil Exports

Trade with the Soviet Union will thus increase by only a little more than 2 percent to a volume of 48 billion transfer rubles (foreign exchange unit in the CEMA--1 transfer ruble equals about \$1.5) annually. Moscow is not entirely without blame in this development. The USSR has limited its oil exports to 19 million tons annually and is thereby forcing East Berlin to buy the uncovered demand of 2 million tons with hard currency.

In the trade with Poland a growth of only 6 percent to 9 billion transfer rubles has been projected for 1981 to 1985 in comparison with the old volume for 1976/80. With that the intended expansion of trade relations with Warsaw to become the second most important CEMA trade partner, which had been set forth in the old 1976/80 plan, has failed, as was noted at a Berlin colloquium at the Research Center for All-German Economic and Social Questions.

While in the matter of Poland the poor economic situation may play a decisive role for the gradual reduction, it was perhaps the raw material shortage of both countries that contributed to an amicable arrangement for the reduced expansion with Czechoslovakia, since Prague is steering a similar course of disentanglement. The trade is to grow by only 8 percent to 10 billion transfer rubles in the period 1981/85.

When the 10th SED Congress, which convenes on 11 April, discusses intermediate-range economic strategy, it will only have a narrow margin for action. In the opinion of experts on the East the economic level of the GDR is about 15 years behind the FRG. Defense expenditures are growing. Improvements in the area of social policy are not anticipated.

In the crisis-weakened FRG economy there is less readiness for compensatory agreements with the GDR. The barter deals born out of the foreign currency shortage of the state trading nations (saying in the GDR: "Complex form of foreign economic relations") never enjoyed particular popularity. Their distribution involves higher costs and prevents the export structure from adapting to the market. Small and medium-sized enterprises are dependent on intermediaries experienced in foreign trade.

With regard to reduced market opportunities, the GDR can plan on further indebtedness for import financing of modern technology, raw materials and fodder. The credit opportunities which have opened up since the wave of recognition in the 1970's no longer force a leveling of the trade balance with the West. Galloping indebtedness in the years 1971/75, when Western imports urgently had to help bridge technological gaps and raise the standard of living of the population, was followed by a phase of marked restraint. The GDR's debt to the West is estimated at about Dm 20 billion.

An evaluation of the economic situation in the GDR must not solely emphasize the supply and raw material problems, however. Part of the overall picture is that despite the precarious situation the GDR has for years achieved considerable growth rates, even in times when a decline in growth prevailed in the West. In the last few years the planned economy, divided into 133 combines, also overcame considerable structural shifts. The rise of the computer industry is only one example.

11949

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HUNGARIAN-BRITISH ECONOMIC RELATIONS DESCRIBED

Budapest NEPSZABADSAG in Hungarian 25 Mar 81 p 10

[Article by Istvan Foldes: "The Good Will Is There, But We Need More Activity"]

[Text] With the visit to Great Britain of our foreign minister in February, I had the opportunity to become more familiar with Hungarian-British economic relations. The views of representatives of government and business circles and our foreign traders working on the British market may be briefly summarized as follows: despite the rather weak British business cycle, the present rather low level of bilateral trade can be expanded and the equilibrium improved.

In order to judge and exploit the possibilities realistically, it is useful of course to know the present situation of the British economy.

Problems and Hopes

Following the loss of its colonial empire, Great Britain has adjusted with difficulty to the new situation. As the British themselves have often written, the British economy became accustomed over the long historical period to having the buyers come to the house, and after the war they fell increasingly behind in the competition with American, FRG and Japanese goods. In recent years Great Britain has made considerable efforts, and not without success, to change this disadvantageous situation. In some branches, for example, the chemical industry, the electronics industry, computer, and medical equipment manufacture, and so on, British products moved into the world vanguard; but for example, the crises in sectors of the shipbuilding, automobile, steel and textile industries requires more and more significant government subsidies which over and above economic problems lead to repeated social conflicts.

The British hoped with their entry into the Common Market that they would acquire new outlets for their goods and that the capital surplus of the Common Market countries would stimulate the modernization of British industry. Neither hope was realized. In fact, the competition of the Common Market countries has caused problems within Great Britain itself. Foreign capital, moreover, found more attractive areas to go--chiefly in the oil countries--than in the British industry which is faced with strong trade unions and frequently crippled by strikes. Moreover, the agricultural policy of the Common Market represented an additional burden for Great Britain. (This year Britain was supposed to have paid 1 billion pounds into the Common Market treasury, consisting largely of agricultural contributions. The government finally bargained this intolerable burden down to 300 million pounds.)

Lagging producer forces and productivity as compared with its major competitors led to a large-scale idleness of capacity and increasing unemployment. The most recent capitalist world economic crisis, which is still going on, afflicted Great Britain perhaps the most severely in Europe; last year the country's gross national production fell by about 2.5 percent, and industrial production was 9 percent less than a year ago. Annual unemployment of about 2.2-2.5 million workers represents about 10 percent of the labor force. Prices rose by 15 percent last year. It is no wonder then that wage wars once more erupted at the beginning of the year. The miners gained a 13 percent wage increase, and the machine industry workers 8 percent, and during my visit the water supply workers were threatening, for the first time in the modern history of Great Britain, to shut down water services unless their wage demands were met.

Amid these difficulties, the increasing yield derived from the North Sea oilfields represents a great help to the country. In 1976, the North Sea wells produced 12 million tons of oil and by last year already 80 to 90 million tons, so that Great Britain became a net exporter of oil. (More than 10 percent of last year's exports came from this source.) Today Great Britain is the only developed capitalist country which is self-sufficient in energy sources, and is even able to export.

This circumstance as well as last year's decline in inventories despite the generally unfavorable economic situation, contributed to giving Great Britain a surplus commercial balance of 1 billion pounds for the first time since 1971 and the country's payments balance was also favorable.

Both the press and business view the near future rather pessimistically. While the countries of Western Europe are counting on approximately a 1 percent increase for 1981, the British prognosis for their country is a 2 percent decline, accompanied by a rising unemployment of 3 million. They hope for production to accelerate by year's end in 1982. In this respect, besides oil, they are expecting a great deal from the revival of investment activity and from the export oriented branches and firms which already are in the world's vanguard.

Various state and social organs are helping to stimulate export activity, particularly the discovery of new markets. As our partners in conversation said, the British Overseas Trade Board, the National Economic Development Office, the East European Trade Council, and the London Chamber of Commerce and Industry regularly organize group and individual travel of businessmen abroad, and contribute to the costs of market introduction and participation in foreign trade fairs.

Our Goods in the Island Country

The Common Market countries hold first place in the foreign trade of Great Britain. About two-fifths of the trade is taken up by these countries. The U.S. share is somewhat more than 10 percent, and EFTA about 15 percent. Its trade with the CEMA countries is less than 3 percent of total trade, and British-Hungarian trade scarcely exceeds 0.1 percent. In 1978-1979, bilateral trade expanded vigorously, but fell back last year. Trade is unbalanced: our exports lag considerably behind our imports. Last year, for example, the value of Hungarian imports exceeded that of exports by one and one-half times. The reason for the increased imbalance is that although our British imports increased last year by about 14 percent, our exports declined by 16 percent.

In our discussions, the subject of the imbalanced nature of the trade came up frequently. British businessmen--understandably in particular given their present situation--are concerned primarily with selling their own goods, but everywhere they were receptive to the need to reduce the Hungarian trade deficit. There is every possibility for doing this, but it will not be an easy task to maintain and strengthen the positions we have already won and to gain new ones.

The largest entry of Hungarian exports consists of consumer items. Forty-five percent of our major exports of 43 million pounds were made up of this group of products. In this category, light industry products are the most important and amounted to about one-third of our British exports. Last year it was this category of our exports that declined the most sensitively by about one-fourth. The basic cause for the decline was the British economic situation; inflation reduced demand and prompted the dealers to seriously reduce their inventories. The competitiveness of our commodities in this situation was greatly disparate. For example, while the export of men's wear heavy clothing products remained approximately even (the decline in volume was almost balanced out by the lower prices) trade in yard goods declined by one-third, household textiles by two-fifths, and sportswear items by one-tenth. The sale of our various leather clothing and gloves to Britain also declined, but trade in leather accessories increased by more than 50 percent.

I heard some illuminating facts about the development of the trade in the latter group of items. In the opinion of one British importer, the Pecs gloves are the "Rolls-Royce of gloves." And in fact these gloves--at a consumer price of 15 pounds--belong among luxury items. The factory at Pecs is to this day a reliable supplier but trade is faltering. An explanation for this may be that while leather prices were declining on the world market the Hungarian suppliers, as was the case with the leather clothing, did not take this into consideration in time. On the other hand, the success of leather accessories can be ascribed to good quality and particularly to well organized advertising campaigns in addition to the competitive price. It was because of this that trade in suitcases and suitcase sets made of Grabona basic materials rose from 100,000 pounds annually in 1978 to 700,000 pounds. Among our smaller light industry deliveries it is worthy to make note of furniture (chairs and outdoor furniture), glassware (primarily hand polished goblets), and of course the magic cube of which we delivered a half million to Great Britain last year.

Various kinds of materials and semifinished goods make up about one-fourth of exports to Great Britain. But let me note that this is the most important entry in our imports, making up as it does 60 percent of our imports of British origin. We buy and sell rolled products, nonferrous metals, forged products on the British market to a significant degree through the London metal market. Last year we delivered two and one-half million pounds' worth of various kinds of metallurgical metals and semi-finished goods. The British Ford, for example, is a regular buyer of the DIGEP forged front axle, and the Csepel Metal Works sells hot rolled copper cable to Great Britain. Last year's crisis on the metal market affected us very sensitively; for example, the value of our rolled goods exports declined by almost one-half.

Agricultural and food industry products make up almost one-fifth of our British exports. Last year we sold more than 700,000 pounds' worth of wine, and we also delivered salami, various kinds of sausages, confectionery items (cognac filled cherries, chewing gum and so on). An important condition for market growth is the consideration for British taste and not least of all good advertising, to which the success of the Egri Bikaver may also be ascribed.

Broadening Cooperation

Among the more important item categories which are still not sufficiently large but in perspective are becoming more and more substantial, we must mention the products of the machine industry. While machinery makes up about 20 percent in our imports, it is only 9 percent in our exports. We sell machine tools, containers, refrigerating machines, incandescent lamps, and vacuum tubes to England. However, the value of all these things lags behind the position already attained in other capitalist countries by the Hungarian machine industry. In this respect, change may be expected in particular from various cooperation projects. In 1980, there were 63 cooperation contracts in effect between Hungarian and British firms, almost one-half of them in the machine industry field. General Electric and Ganz-Mavag, for example, cooperatively sell motorized trains to New Zealand; the Electric Insulator and Plastic Factory manufactures and sells brake lining on basis of a British license to its British partner. Last year a contract was signed between the Bakony Works and its British partner for the purchase of a license for spark plugs and their export to Great Britain, and so on.

In other areas, too, cooperation is a promising form to broaden collaboration. Last year about 9 percent of our exports and 3 percent of our imports were conducted on the basis of cooperation contracts. In addition to the machine industry, such cooperation is important for the chemical industry. Hungarian firms cooperate, among other things, with British enterprises in the manufacture of various kinds of pesticides and pharmaceuticals. And to illustrate the nature of the cooperation, it may bring together partners that seem to be quite dissimilar: Terrimpex, of the Hortobagy State Enterprise for example, is negotiating with one of British Petrol's subsidiaries, BP Nutrition, on intensive eel breeding. (British Petrol would provide the procedure, prepare the plans for the site, supply the fodder supplement, or provide the formula, and help in the Western marketing.

At the Government and Enterprise Level

In connection with the cooperation projects and generally with Hungarian imports, the question has frequently been raised why the position of the FRG firms is better in Hungary than that of the British. This indubitable fact, however, can be explained not only by different traditions, but also by the more active interest shown by FRG firms toward socialist markets, and their activity and purchasing inclination is also much greater. In recent times, the activity of British enterprises has certainly increased. In February we were visited by a 22-member delegation of the London Chamber of Commerce and Industry, and as R.T. Antony, the leader of the East European section of the Chamber stated, the visit succeeded better than had been expected. "It is true that in a recession commercial development is more difficult," he said, "but we are convinced the possibilities are there." This is also supported by the fact that they plan to organize British Days in Budapest this fall.

Cecil Parkinson, the British minister of commerce, also expressed a similar view. At the reception in honor of the Hungarian delegation, he said, "Isolation is not the answer to economic problems but rather commercial development. This also refers to British-Hungarian relations. Businessmen who take the initiative will enjoy the full support of the government."

Peter Veress, the Hungarian foreign trade minister, expressed the same view: "Let us not blame each other for a trade that has not reached an adequate level, but let us join together to attain better results. A mutual good will exists, but it is necessary that both governments and the businessmen of both countries take progressive steps to deepen cooperation."

I believe this is the main lesson of our British talks.

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TRAINING OF INTERNATIONAL ECONOMIC SPECIALISTS DISCUSSED

Budapest FIGYELO in Hungarian No 12, 25 Mar 81 p 9

[A roundtable discussion with Ferenc Bartha, deputy minister and department director of the International Economic Relations Secretariat; Janos Mankovics, department director, ministry of foreign trade; Jozsef Gulyas, directing manager of the Foreign Trade College; Tamas Toth, director of the Foreign Economic Faculty of the Karoly Marx Economic Science University; and Ivan Wiesel, of the FIGYELO staff]

[Text] Ivan Wiesel: Everywhere in the world they are talking about the crisis in higher education. University and college education cannot keep up with the rapid development in the sciences and is unable to meet the increasingly greater practical requirements. A process of contra-selection is going on among the instructors: the best trained people are being placed in practical jobs and research places, where the material and moral recognition is greater. How do these problems look in the training of Hungarian foreign economic specialists?

Ferenc Bartha: University training in Hungary too has fallen behind requirements. The specialists of the future must become accustomed at the university to the increased quality requirements. Unfortunately, it takes 5 to 6 years before a young university graduate can become productive in either the macro- or micro-economic area. This long "post-graduate" period is a luxury for us. Unfortunately, the "regenerative" strength of these young people entering practice is also inadequate.

Jozsef Gulyas: I shall speak of only one interrelationship, the link between education and practice. Because of the increasing demand for practical experience for specialists, advanced level foreign economic education has been organizationally split: in addition to university training, we have a Foreign Trade College. The original idea was that university foreign trade specialist training would provide people suitable to perform theoretical-analytical work, and the college would provide specialists for operative foreign trade work. In my experience, we are still unable to meet the requirements stemming from this bifurcation, and parallelism is characteristic of training.

Janos Mankovics: The development of the proper content and work specialization of organization forms is really important, but I think it is still more important to recognize that there is need to revitalize higher education. Because of the rapid developments in science and the constant growth of practical demands, we need to follow directions and methods of education which, even in the era of path-finding for economic science, will help in theoretical orientation and offer appropriate

fundamental knowledge not only for today but also for tomorrow. In my experience, reforms have been too long delayed in education, and 10 to 15 years pass before they are implemented. By then, what was once modern is already obsolete. Therefore, we need to speed up the adjustment process, shorten the running-in time, and this depends on us.

Ferenc Bartha: We need to realize three requirements in our international economic training: it should give theoretical foundations, with which the future specialist can orient himself quickly to our world; it should develop intellectual facility; and finally it should assure a high-level linguistic knowledge. With a firm theoretical bases, the emergence and reemergence of eclectic thinking can be avoided and at the same time strengthen the spirit of criticism and debate and openmindedness. And finally I must mention that practical international economics requires a high degree of political preparation and commitment.

Tamas Toth: I would set more modest goals for education: a better transmittal of the accepted theoretical bases. This in itself would represent progress. Hundreds of decisionmakers do not even know the trivial interrelationships deriving there from; or if they do, they cannot use them. I shall also note that we have limited potentials in specialist training: the material strength and intellectual capacity of the country cannot realize a fully specialized training goal. Therefore, we attribute an important role to on-the-job training. I agree with Ferenc Bartha that the key task of training is a world oriented view. It is very important that cost, market and other economic factors should be more widely expanded and considered and play an appropriate role in decisionmaking. I am not aware of favoritism [kontraszelektiv] in selecting educators for faculties in international economics.

Janos Mankovics: We must reduce encyclopedic knowledge in international economic training and, textbook-centered concepts and strengthen the facility to integrate and apply problem-centered knowledge. This requires that the instructors, as researchers with an interdisciplinary outlook deal with the theoretical and practical problems that await solution.

Ivan Wiesel: The workers in upper level education must also be researchers because only in this way can they present to the students the newest results of science and make their work more widely known.

Tamas Toth: It is my opinion that specialists working in higher level education should conduct research of a "skimming" nature. In following the international scientific results, they must find the possibilities for synthesis and transmit the new knowledge to students by using pedagogical methods. I also regard this as an important research task. This not only promotes the revitalization of education but also develops the creativity of both the university and college instructors and students. I also regard it as important for the scientific research institutes to link themselves more closely to education. For example, in such a way that from time to time the researchers report the results of their research to the higher educational institutions.

Ivan Wiesel: Upper level training should not be tailored to some kind of academic requirements. We must equip the young economists with such intellectual ability as will make it possible for them to adjust flexibly to changing demands. It is an open question whether the present educational structure meets these demands.

Tamas Toth: It is a serious problem of higher level educational institutions that they have to "tune" education to serve two levels. By this I mean to the demands of the first job and then to future jobs. If our education is only oriented to the first job, we may perhaps break a young career in two, because since he cannot move ahead and thus a void is created between quality tasks and given knowledge. If we atune his training to the more distant goal, we have to expect many initial disappointments. It is very difficult to eliminate this duality in the educational structure. One solution may be found by establishing a better work distribution between university and college, perhaps by introducing two-stage training.

Ferenc Bartha: We have to achieve more selectivity at the university, and realize theoretical and quality training. This answers what should be taught where. The university should adapt to supplying economists to work at the macro-level, and it should offer training from the basics to the most recent research results to strengthen analytical ability and creativity. Of course this will mean a substantial reduction in the number of students, and an increase in the intensity of training. In college training, on the other hand, the curriculum structure and the student body should be developed according to microlevel demands.

Janos Mankovics: Frequently, it becomes evident only during the course of study which student will be suited to carry out what given tasks.

Ferenc Bartha: There are risks in all areas of life. The economists-to-be must feel this risk. Therefore, I regard those weeding out processes as suited to university training which would allow for the graduation of only those economists who are mature enough to meet genuine macrolevel demands. Dropping out would not mean final exclusion from higher education, and of course a student could take up another discipline. Today a student is not exposed to risks; if he is patient and is not absolutely weak he can stumble through the university years, and experience a rude awakening at the workplace.

Tamas Toth: But the weeding out system is also a risk for the state, which at least in the early years must undertake to finance the training of more students. I do not regard it good to divide sharply the macro- and micro-areas of specialization. I do not believe I have to demonstrate how important it is for the workers at the macrolevel to be versed in practical problems, or that at the enterprise level theoretical knowledge is necessary to make decisions.

Jozsef Gulyas: To return to Ferenc Bartha's idea, it is worth noting that in both type of training institutions, because the risk factor is lacking a minimum attitude has developed among some of the students, which essentially calls for learning no more than is absolutely necessary to pass an examination or to attain a satisfactory grade. The motivation to gain additional knowledge is lacking. But after graduation, they behave with a pompousness inappropriate to their scope of knowledge.

Ferenc Bartha: We are the ones who are responsible for the development of this outlook because we have made it possible for those with low achievements to realize success.

Ivan Wiesel: We have mentioned already that international economics is being taught at various levels: high school, college, university and post-graduate

training. It appears from the foregoing that the distribution among these levels is not the best and that healthy competition has not evolved among the grade levels.

Jozsef Gulyasi: It would be important and logical to have each educational level build on the preceding one. It could be said, however, that only gymnasiums prepare students for higher education. Students from vocational secondary schools are at a significant disadvantage in gaining admittance to higher education. Thus the educational chain is broken here. There is a great deal of parallelism in the subjects taught by the colleges and the universities. Thus, there is really no level difference existing between the two institutions. The college begins teaching what the university teaches in the advanced levels, and thus the two-level principle is turned upside down. The student who completes college, if he goes on to the university, supplements the materials of the first university years rather than studying the professional [major field of study] materials at a higher level.

Janos Mankovics: Among those who finish college successfully, many students add another 3 years to also acquire a university diploma. The availability of this continued specialization is a waste of time and money because of the overlapping. The knowledge of those who "muddle through" university examinations is generally no more than that of those students who graduate from colleges with outstanding results. On-the-job experience also supports my view. The Ministry of Foreign Trade is pushing for a graduated rung system of education which builds on each other. We have conducted a survey among those who have specialized university training in foreign trade. According to our information, 85 percent of the students who graduated between 1965 and 1979 are working in [the field of] foreign trade.

Eighty percent of those questioned are enterprise workers, three-fourths of these are business transactors, 15 percent are managers, and 10 percent covered other areas. One-third of those who work in macro-economics are in managerial positions. The survey showed that the great majority of them remained in the field though the distribution was greatly differentiated. The views on the quality of education unanimously expressed that individuals working in areas requiring a theoretical knowledge, felt that they had not attained the basics. Those working in functional areas expressed similar views about practical knowledge. This too accentuates the importance of what Ferenc Bartha said about the requirements of different areas. For this, it will be necessary to create a "two-stage" system which would also coincide with the concepts of MSZMP 1977 resolution on education. A graduated system of education would better provide for the recruitment of specialists to meet demands and would also appropriately integrate the basic noneconomic education of those seeking a second diploma. Of course, the basic condition for this is the general improvement of language instruction, which at the same time is also in the interest of the national economy.

Jozsef Gulyasi: Many opportunities are unexploited in the two types of higher educational institutions. It would be good to coordinate the curriculum and conduct joint research. The capacity for this can already be found at both types of institutions, only the implementation needs to be speeded up.

Ferenc Bartha: It is evident from what has been said how important it is to be ever open to revitalizing influences in international economics education. Continuing post graduate specialized education is also important. I think that the specialized knowledge gained from continuing education is very important.

Janos Mankovics: We have rich experience in continuing education. I am thinking here of the wide selection of courses organized by the KKM [Ministry of Foreign Trade] which range from languages to various levels and types of professional specialization, and they generally serve their purpose successfully. The training of the specialized economist and the second diploma engineer-economist has an important place in continuing education. Initiatives have also been taken in the technical training of economists, but the institutional structures must be further developed. We are presently working on the general reform of professional continuing education, and it appears that we will soon come up with a comprehensive plan. Our goal is to have a politically and professionally qualified apparatus for the study of international economics which is well adapted to changing conditions.

Ivan Wiesel: We certainly agree that the subject cannot be closed with what has been said here. I trust that those interested will help with their comments and suggestions to raise the niveau of professional education in international economics.

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SIGNIFICANCE OF NEW PRODUCTION, DELIVERY PRICES

Bucharest ENA SOCIALISTA in Romanian No 2, 20 Jan 81 pp 18-19

[Article by Dr Gheorghe Sica, director on the State Planning Committee: "Production and Delivery Prices As a Measure of Social Labor Consumption"]

[Text] As we know, at the end of last year the Grand National Assembly passed the Law on Updated and Improved Economic Correlation of Production and Delivery Prices of Products for Socialist Units and of Production, Contracting and Procurement Prices in Agriculture. The new production and delivery prices went into effect as of 1 January 1981 and facilitate the economic exchanges between socialist organizations and enterprises. In view of the high proportion of socialist property in our total national wealth, the production and delivery prices concern the economic circulation of most of the total social product.

Actually the production price is the most complete measure of consumption of social labor. In view of the effect of the law of value under socialism, production prices should be set primarily according to the extent of the socially necessary labor outlays to produce the goods, since the price is the monetary expression of the value. Of course if there is to be no discrepancy between the value and its monetary expression, the price as a rule must follow the shifting value, in other words it must reflect changes in the amount of the socially necessary labor outlays.

Disregard of the law of value in setting production prices leads to unreal reflection of the economic processes and interference with their normal operation. Therefore the function of measuring social labor requires basing production and delivery prices on the socially necessary labor outlays to manufacture a product. Hence the objective nature of that category of prices. Besides this essential function, production and delivery prices are also intended to perform the function of encouraging effective consumption of social labor in the production and circulation of goods, as well as the function of distributing and redistributing social labor according to the interests of the national economy.

To be sure prices can be permitted to deviate from values for economic reasons, but in the case of a product or group of products these deviations must not exceed the limits beyond which the price correlations begin to differ essentially from the value correlations, that is the limits beyond which the particular conditions are violated that are essential to expanded reproduction and the principle of economic self-administration.

The level and correlations of prices are strongly affected by the present technical-scientific revolution, which is rapidly increasing social labor productivity and consequently producing structural changes in value relations too. Moreover the critical state of some material reserves throughout the world, the increased social cost of material production and the speculations of the capitalist monopolies are causing price rises on the foreign markets. Under these circumstances, a number of production and delivery prices are deviating from their basis as a natural consequence.

And so the changing context of the economic processes makes any concept in the field of production prices anachronistic. Under the conditions of a changing economy and Romania's growing participation in the international exchange of goods, periodic updating of prices is keeping with the changes in the social production outlays and in the level and correlation of world prices is an objective necessity for real measurement of the economic units' costs and incomes, of their contribution to the national income, and of the effectiveness of production, investments and foreign trade.

For the best possible performance of the role of prices in the further growth of economic effectiveness and stimulation of the qualitative factors in production and circulation of goods, the party and state have attached particular importance to further improvement of the price system. In the last few years there have been some changes in the production prices in industry, construction and transportation in keeping with the changes in the production processes and in foreign price levels. To go on maintaining a high developmental rate despite the aggravation of the worldwide energy and raw materials crisis, steps were taken to expand the domestic reserves of coal, petroleum, ferrous and nonferrous ores, and other basic raw materials to meet more of the domestic requirements. Procurement of greater quantities of domestically produced raw materials also made it necessary to work some deposits poorer in useful content. This has increased costs in the extractive industry and at times the outlays have exceeded the production and delivery price levels set as of 1 January 1977.

Exploitation of domestic natural resources appears advantageous in view of world prices, but remember that the costs are still high because less use is made of high-capacity equipment and modern technologies.

Failure of domestic prices and costs to reflect the rise in prices of imported raw and basic materials is a factor that has contributed to the deviation of production and delivery prices from their objective basis. As we know, the prices of raw materials and especially those bearing energy rose spectacularly after the aggravation of the crisis and inflation in the capitalist world and a general international political evolution. The foreign price of crude oil, which we import to meet 50 percent of our requirements, increased by about 3 times in the 1975-1980 period.

In the changing context of the national economy, the changes in the use values and in the cost and production structures also caused some discrepancies in production prices.

All of these, in a brief summary, were the factors that determined the series of measures approved by the Plenum of the RCP Central Committee and the Grand National Assembly so that new production and delivery prices would go into effect at the start of the new five-year plan.

The production and delivery prices effective as of 1 January 1981 were updated for the following purposes: better correlation of the production prices according to the

use values of the products on the principle of "equal price for equal useful effect," making the activities and products profitable upon an exacting critical analysis of the production costs to encourage improvement of the technical-economic processes; strengthening self-administration and workers self-management and meeting the demands of the new economic-financial mechanism; maintenance, as a rule, of the current level of the production and delivery prices in the final processing sectors; unification of the purchase prices of agricultural products for both the state agricultural enterprises and the agricultural cooperatives; increasing the profitability of production, especially in the agrotechnical sector, and setting new rates for the agricultural mechanization stations in view of the rise in prices for fuels, lubricants and other materials.

One very important qualification: The changes made in the production and delivery prices and in the purchase prices for agricultural products will not affect the retail price levels in 1981. The effects of this operation are to be assimilated in the 1982-1985 period in the planned indices for a 6-8 percent increase in retail prices for the five-year plan and in connection with accomplishment of the objectives for improvement of the people's living standard.

The action to update production and delivery prices is very comprehensive and extensive. Their level is up 11.5-12.5 percent from 31 December 1980. Hence also the responsibility of the ministries, centrals and enterprises expected to carry out the operation as well as possible and especially to take steps to conform to this price level by regularly reducing production costs and material outlays per unit of output. The new prices favor and require intensive conservation of social labor and encouragement of the processes to recover, recondition and reuse raw materials, materials, substitutes and spare parts.

Above-plan savings in production costs are specified for the 1981-1985 period that will amount to 40 billion lei in the output volume and structure in 1985. Such a highly important objective to intensify the qualitative aspects of socioeconomic development and to apply the intensive processes on a wide scale certainly requires much innovative thought and many new technical and technological measures. Particular efforts are required of the collectives of the units in the machine building industry, who are to make an additional reduction of 11.6 billion lei in production costs by 1985, of those in the chemical industry (4.7 billion lei), of those in light industry (4.2 billion lei), of those in the metallurgical industry (2.7 billion lei), and of those in agriculture and the food industry (3.7 billion lei).

Exemplary fulfillment of the tasks to cut production costs in general and material outlays in particular calls for reorientation of the technical-economic thinking of personnel in enterprises and centrals; discovery of special technical and technological procedures to modernize the production structures, to organize all activities beyond reproach, and to accomplish the goals specified in the plan; prudent allocation of the investments, etc.

The average production cost of the sector is basic to setting the production price because it represents the socially necessary outlays. Hence the conclusion that the production price cannot and must not "cover" the defects in the enterprises that operate inefficiently and unsatisfactorily. On the contrary, critical analysis of the costs is an action that must be performed regularly in order to reveal the reserves and use them to consolidate the basis of the new production and delivery prices.

The series of measures to which I have referred also includes revision of the estimated prices in construction-installation and of the rates in transportation of goods in the rail, highway and river sectors. Of course in these sectors too the new estimated prices and shipping rates are to be based on critical analysis of the production costs.

Raising the contracting and procurement prices of agricultural products is no doubt an incentive for all producers, but it is clear that the major problems of development of Romanian agriculture in the present period cannot be solved in this way alone. The different results previously obtained by agricultural units with the same technical equipment and soil and climatic conditions prove that the controlling factors for increasing the effectiveness of production and the incomes of agricultural workers are increased production and lowered costs, especially of the materials, through the most productive use of the land and other production means and through better organization of production and labor. The necessary coordination of the technical-material base of agriculture with the output obtained and the most effective use of all natural and material resources are tasks of every agricultural unit.

Updating production and delivery prices is an action of great economic and political importance that can stimulate the efforts on all levels of the national economy to enhance the effectiveness of all activity and to husband most carefully all national resources serving the progress of Romania's socialist society and the welfare of the people.

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130: 2700

BRIEFS

ECONOMIC TALKS WITH AUSTRALIA--Comrade Cornel Burtica, deputy prime minister of the government and minister of foreign trade and international economic cooperation on Friday received Michael Lightwoler, deputy minister of foreign trade and resources of Australia. The two sides emphasized possibilities for expanding economic cooperation in various areas of common interest and for developing and diversifying commercial exchanges between the two countries. The proceedings of the fourth session of the Joint Romanian-Australian Commission for Economic and Technical Cooperation ended on 3 April in Bucharest. The protocol signed on the occasion by Marin Traistaru, deputy minister of foreign trade and international economic cooperation and Michael Lightwoler, deputy minister of foreign trade and resources, chairmen of the two sides in the commission, envisages a number of measures designed to intensify economic, industrial and technical cooperation in areas of mutual interest, especially in the fields of mining, petrochemical industry and agriculture, and in third markets. [Text] [A0111942 Bucharest SCINTEIA in Romanian 4 Apr 81 p 5]

CSO: 2700/207

ABUSES NOTED IN MONTENEGRIN EARTHQUAKE RECONSTRUCTION

Belgrade BORBA in Serbo-Croatian 3 Apr 81

[Article by Djoko Kesic: "Undesirable Details in the Story of Reconstruction"]

[Text] In a few days the Montenegrin coast will enter the third year of its reconstruction following the disastrous earthquake which hit this region in April 1979. With the wholehearted help of the entire country the Montenegrins have truly done a great deal in 2 years. Life is almost normal, and if the pace of reconstruction continues, almost all the visible traces of the disaster will soon be eliminated. However, there are also undesirable and ugly examples in the story of reconstruction which the inhabitants of the Montenegrin coast speak about openly and with dissatisfaction.

"Promised Land" for Truckers

Many cases of speculation have been discovered through the efforts of republic and opstina market inspectors in the earthquake disaster area. Plumbers, electricians and members of the building trades are operating without the necessary permits or even licenses, and all of this is being done at abnormally high prices. Traders in building materials and other materials have emerged. Unfortunately this activity has not been confined to private operators, dealers and profiteers who are not registered, but to make matters still worse, have spread to managers of certain stores and trade and transportation organizations. It is well known that investigating agencies have established misuse of funds in branch offices of Rugovo, Montenegro-komerc, the Milling and Baking Industry, Drvoimpeks, Gornji Ibar, Jugodrvno, and then in certain organizations and branch offices in Bar, Ulcinj and Radanovici.

Inspectors have "skimmed off" the unlawful earnings of Autoprevozno in Niksic, Raketa in Bijelo Polje, Rumijatrans in Bar and Prevoz in Pljevlja, which are motor transport enterprises.

However, individuals employed in the socialized sector and commercial work organizations are not the only ones who were fishing in muddy waters. In certain opstinas the private operators hit the jackpot even in organizing the effort. Private truckers who were taking sand from socially owned sand pits were transporting it and selling it at excessively high prices, and they accumulated large amounts of money. It should be said that the market inspectorate made a full-fledged effort to put a stop to this kind of practice, but obviously that was not in its power.

In Bar Opstina, for example, the citizenry is embittered by the practice of private truckers, who entered into collusion to raise the prices of their services to dizzying heights and also by the attitude taken toward them by the agencies and bodies of the opstina. During the past 2 years of reconstruction and construction of this Montenegrin opstina, which suffered the worst in the April 1979 earthquake, many people reliably say that numerous private truckers have become rich, to say the least. It is reliably known that there are some who have even earned as many as several hundreds of millions of dinars. For example, private truckers collect between 3,000 and 4,000 dinars to carry furniture, building materials or anything else from Bar to the nearby local community Sutomore! The entire job, including loading and unloading, could be done in an hour's time. Driving and selling gravel which they dig in the Moraca Valley, private truckers with a single sizable truck have been earning as much as 18,000 dinars per trip. They make two to three trips per day on the average.

No One Is Keeping Records

It is truly difficult to ascertain how many private truckers have enriched themselves, how much they have actually earned, and how many of them are operating in this area. We were told in the Income Administration of the Bar Opstina Assembly that they do not have records on their true earnings. It is well known that truckers from other opstinas are also operating without license or permit in Bar. All private entrepreneurs, we were told in the Income Administration, have been paying their taxes regularly, and on that basis there have not been any large earnings.

"It has been difficult to keep precise records of all of this," says Milovan Dobanovic, director of the Bar Opstina Directorate for Construction and Reconstruction. "There probably have been such unpleasant examples and it is possible that we might have prevented them. However, you must admit, there have been many more urgent matters at this time. Incidentally, I think that there is a great deal of exaggeration in these tales."

Milivoje Barjamovic, chairman of the Executive Committee of the Bar Opstina Assembly, has a different opinion. "These things have occurred, and there is quite a bit of truth in these tales. Now, so that you do not misunderstand us, we are not against private entrepreneurs working and making money, but the actions of some of them border almost on blackmail and banditry. It is true that the rates of truckers are excessively high and, still more strange, that they have organized the work better than our local trucking company Rumijatrans. Rumijatrans simply was not prepared to take on the work, though we had conversations with them and even suggested to them that they purchase the appropriate trucks and offer them financial aid. But they did not accept that. It would have been a good thing for this organization to do the bulk of this transportation work during the period of renewal, and for the private carriers to supplement with their services whatever they were unable to do. However, what happened was the reverse. It is difficult to say how much the private truckers actually earned. Certainly no one has such records. The same is the case with the masons and other members of trades that are in demand."

It should be said that the people on the Montenegrin coast are making great efforts to build and repair the disaster area, making many sacrifices and efforts, and it is fortunate that this practice, which even they find oppressive, is not an essential characteristic of the reconstruction effort. However, it does deserve to be mentioned.

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CSO: 2800

IRON, STEEL PRODUCTION IN 1980, 1981

Belgrade CELIK in Serbo-Croatian Dec 80 pp 7-8

[Article by Mileva Stefanovic: "Never Was It Harder To Arrive at a Production Plan"]

[Excerpt] The conditions under which steel production will take place during 1981 are not advantageous to organizations of associated labor in ferrous metallurgy. According to the functional relationships which have long been established between industrial output and steel consumption, every percentage point of growth of industrial output generates the same growth in consumption of steel products. The analyses even show that this relationship will probably diminish to the detriment of steel consumption over the next several years because of the policy which has been adopted of concentrating on the faster development of production in the fuel and power industry, raw materials and food, sectors of the economy, that is, which are not among the intensive steel consumers. However, if we ignore these changes during 1981, it follows that on the basis of the resolution agreed to the growth of industrial production, and thereby the growth of steel consumption, will amount to only 4 percent over 1980, which affords a total level of steel consumption of about 5 million tons.

Since capacity for the final production phases of steel mills are not in line with the needs of the market, according to the preliminary examinations of steel consumers and producers, about 1 million tons of steel products will have to be imported in 1981, that is, payments between \$600 and \$700 million of foreign exchange will have to be made to purchase assortments and grades of steel products which are not produced in Yugoslavia or cannot be produced in sufficient amounts. It accordingly follows that the domestic market will be able to absorb about 4.0 million tons of steel products from domestic steel mills.

Opportunities for exporting steel products are very limited both because of the well-known situation on the world steel market and also because steel mills do not have metal charge of their own that would be required to produce for export, even if conditions did prevail for competitive sales. All this makes the situation very problematical in drafting the production plan for 1981 and in finding criteria to be used as a reference in reducing by agreement the use of the available capacities in rolling mills and manufacturing facilities and in furnishing the imported raw materials and semifinished products they need for their operation.

The capabilities of the steel mills are appreciably greater than merely the capacity of rolling mills and manufacturing facilities. The effort to draft the plan for 1981 began back in early September with the gathering of data on the production capabilities of facilities already built. Below we give a recapitulation of these data, taken from the plans of the steel mills, compared with the estimate of actual output in 1980 and with the principal requirements for imported raw materials and semifinished products:

(In thousands of tons)

<u>Production</u>	<u>Estimated Output in 1980</u>	<u>Production Capabilities in 1981*</u>	<u>1981 1980</u>
Iron ore	3,810	4,620	121
Coke	2,644	2,779	105
Iron	2,409	3,167	132
Raw steel	3,580	4,307	120
Steel products	3,787	5,491	145
Ferroalloys	--	281	--

* On the basis of declarations by organizations of associated labor.

Organizations of associated labor have declared that they will need to make the following purchases of imports to cover that production:

Iron ore	1,350	2,326	172
Coking coal	2,700	3,700	137
Anthracite	150	195	130
Steel scrap	350	728	208
Semifinished products	1,100	2,282	208
Ferroalloys	6	10.5	175

As is evident from the figures, capabilities for production of finished steel products run to nearly 5.5 million tons, but that is without domestic raw materials and capacities for the corresponding production of semifinished products. What is more, even the distribution of the installed capacity of rolling mills does not altogether match the requirements of the market. For instance, according to analyses of steel producers and consumers, in 1981 there will be capacity for producing a surplus of about 860,000 tons which cannot be sold on the domestic market: about 240,000 tons of heavy sheet, about 270,000 tons of welded pipe, about 60,000 tons of galvanized sheet, and nearly 300,000 tons of other products. Given this poor fit between supply and demand, supplying imported raw materials and semifinished products to the steel mills is becoming both a delicate and a complicated issue, one which necessitates objectification of criteria that would govern this supply.

What Materials Should Be Imported in What Amounts

Nor is the situation much eased by what any bookkeeper could immediately see, namely that the requests for imported raw materials and semifinished products submitted by organizations of associated labor do not conform to the relationships

already established between steel production and consumption of basic raw materials in 1980. To be sure, it is difficult to bring these parameters into line without examining inventories because of the extreme situation that prevailed in 1980. However, if success is achieved in importing materials on the basis of good management relative to the available production capacities, this does not altogether solve the problem.

According to the projection of the physical balance prepared in the Federal Bureau for Social Planning, which is only a reference indicator of the level at which relations in foreign trade are to be established in 1981 in accordance with the proportions contained in the resolution, the country's balance of payments allows imports to be organized for ferrous metallurgy in approximately the following amounts, in thousands of tons:

Coking coal	3,400-3,700
Iron ore	1,800
Steel scrap	400- 500
Semifinished products	1,300

Estimates on this order of raw materials and semifinished products to be imported for ferrous metallurgy in 1981 require an expenditure between approximately \$750 and \$800 million. This amount is barely half of the funds that would be required to import the amounts which organizations of associated labor estimate they will need for normal production in 1981.

All of this indicates that the assessment of the potential market for finished steel products has paramount importance to drafting the plan for 1981 and that sizable and more optimum savings can be achieved through stronger import restriction pertaining mainly to the purchase of semifinished products.

According to computations of the General Association of Ferrous Metallurgy, nearly 860,000 tons of the offered production of steel products cannot be sold on the domestic market. If it is taken as indisputable that imported semifinished products ought not to be purchased for production of output that could not be sold, then these requests for importing semifinished products would be reduced by about 1.3 million tons. Calculations of the experts, however, indicate that a portion of this surplus production could be sold as exports pure and simple or exported on the basis of an exchange of products. It is estimated that about 300,000 tons of steel products could be marketed in this way, so that the surplus of products for which a market cannot be assured comes down to about 560,000-600,000 tons. This means that on the basis of the calculations of the association it would still be necessary to import about 1.56 million tons of semifinished products for rolling mills, since the total production of steel products, amounting to about 4.8 million tons, would be sold on the domestic market or exported.

The foregoing reflections indicate that the level of production of finished steel products in 1981 and their distribution by assortment and grade are still an open question. This question will have to be resolved in concert with those industries which are steel consumers, since the importation of semifinished products will also depend on the agreed level of the necessary production of steel products.

Nor is the level of production in 1981 yet known for the primary phases of production, since it is tied to quite a few unknown quantities. For instance, the plan for production of raw steel is also unknown. The excessive orientation of capacities which have been built toward electric furnaces, given the conditions that exist with respect to the country's balance of payments and also in view of the possibility of more difficult energy conditions in the coming year, opens up dilemmas in this sector as well. That is, there is a question as to what extent it will be optimum to keep the electric furnaces in operation. According to the capacities available, it is possible to furnish raw steel production in the following relations (in thousands of tons):

LD process steel	1,599	37.1
Open-hearth steel	1,569	36.4
Electric steel	<u>1,138</u>	<u>26.5</u>
Total	4,306	100.0

In order to produce 1,136,000 tons of electric steel organizations of associated labor have declared that they need to purchase 728,000 tons of imported steel scrap. In 1980 only about 400,000 tons were imported to produce 1,030 tons of electric steel. However, specialists and work communities of the association caution that the potential for collecting steel scrap on the domestic market was estimated in working out this balance of the need for imported scrap. It is unrealistic to estimate that about 900,000 tons could come from domestic collection when up to now only about 700,000 tons have been collected.

This leads to the conclusion that the estimated potential for the production of electric steel was also given on the high side and that in view of the probable balances in steel scrap, both domestic and imported, the production of electric steel will be about 200,000 tons less. It is a separate question as to whether the electric power budgets in certain regions will be a limiting factor on this production.

Nor is the situation altogether clear as to the needs for iron ore. The steel mills have announced that they need to import 2.3 million tons of ore, as follows, in thousands of tons:

Slovenian steel mills	515
Zenica Mining and Metallurgical Combine	912
Sisak Steel Mill	60
Smederevo Metallurgical Combine	715
Skoplje Steel Mill	120

However, though it is certain that the planned amounts of iron production cannot be achieved by any means solely with domestic ore because of the lag in building mines, potential deliveries from Ljubija and Vares in 1981 are still unknown. This means that only after delivery contracts are concluded with these mines will it be possible to ascertain the precise needs for imported ore.

The most recent calculations of the association's work community indicate that it will most probably be necessary to import about 1.8 million tons of iron ore next year.

The supply of coking coal should not confront major problems, since the republics and provinces have agreed on the need to import 3.7 million tons, which basically represents the demands of the coking plants. However, an agreement has not yet been reached among the coking plants concerning the regional distribution of the amount to be imported, which could stand in the way of promptness in making the purchases and could result in disruptions of the supply of coke to consumers.

Regardless of the difficulties that have been arising in drafting the plan for 1981 because of a number of uncertainties and because views and interests have not been reconciled, it is a fact that all the calculations indicate that the optimum thing is to supply raw materials and other processing materials to facilities for the primary production phases (blast furnaces and steel mills) so as to utilize these expensive units more fully and to provide as much of the metal charge as possible for the operation of rolling mills and other manufacturing plants. We already know that the domestic and foreign market for steel products and making up the shortage of semifinished products will determine utilization of the capacity of rolling mills and manufacturing plants. This will necessitate firm linkage and coordination of steel producers with consumers and also maximum efforts on the part of steel mills to adapt their production to the needs of the market within the makeup of the available capacities. Otherwise a large portion of the capacity of the steel mills will go unused. This would result in underutilization of the capacity of the metal manufacturing industry and would have an adverse effect on the country's balance of payments. A further decline in the share of domestic steel products in supplying the market would result in a still faster decline of the economic efficiency of production of a large number of organizations of associated labor both in ferrous metallurgy and also in the metal manufacturing industry.

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CSO: 2800

SLOVENIAN AUTOMOBILE PLANT CLOSES

Zagreb VJESNIK in Serbo-Croatian 19 Mar 81 p 3

[Article by Miroslav Koprivica]

[Text] The fact that automobile prices cannot rise without serious consequences significantly burdened the situation of the Sempeter producers and they simply could no longer make ends meet.

The automobile crisis took its first significant victim at the Cimos plant in Sempeter, near Nova Gorica, where the key was definitely placed in the lock. In producing two types of automobiles, the factory was also producing massive losses. Last year the losses accumulated to a total of 212 million dinars, while so far this year the factory is another 50 million in the red. It could not continue this way, and the only solution was to close the plant.

Thus for the first time in Yugoslavia, the list of automobile manufacturers has shrunk, after a long period in which car plants sprouted like mushrooms after a rain. Ambitions still have not faded, but here the oldest producer next to the ZASTAVA plants has dropped out of the race.

Just under 600 workers of the CIMOS plant have lost their jobs. (They will be employed in other collectives of the Nova Gorica opština.) The Yugoslav market will be without its domestic Citroen, but that will cause little harm.

The Citroen GA, priced at 400,000 dinars, could not find any buyers, nor could the smaller Diana model do much better, even after a price reduction.

The CIMOS plant, established by joint French-Yugoslav investment, will retain the part of its present activity that involves producing parts for the French Citroen, on which about 5,000 workers are employed.

After the failure of the automobile assembly operation at the CIMOS plant, the question arises as to why it came to this.

There are two basic reasons. The first and more important is found in the ever clearer automobile crisis. Following the decline in general buying power, and drastic price increases for automobiles, their maintenance, fuel and other related

costs, it is completely normal that the automobile fever that has lasted so many years should cool down.

That was a heavy blow for producers, for until now the principle applied that it was only important to produce, for in any case the market would swallow everything, the price was the least important factor, particularly while favorable credit terms were available.

Now circumstances have changed fundamentally. Price structures are a thing of the past, as can also be seen in the cancellation of some already announced price increases, and even reductions in some prices.

The fact that automobile prices cannot rise without serious consequences has markedly burdened the position of the producers, and some of them simply could no longer make ends meet. Increased operating expenses, instead of being passed on to the purchasers, now must be recorded as operating losses or taken out of profit.

In that general situation, CIMOS had some specific difficulties. Its operations were based on the delivery of parts to its French partner, and those parts were used to purchase sub-assemblies for vehicle assembly. The devaluation got its fingers into that business and upset the balance upon which it was based. That was the last straw.

And so CIMOS has disappeared from the list of automobile producers. The price that will be paid for that is not a small one, but every school costs money. If some of the collectives that are rushing to assemble automobiles get the message from that school, instead of continuing their quest for the golden hen, then this lesson will have been in vain.

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CSO: 2800/209

PRESENT STATUS OF MERCHANT MARINE

Belgrade TRANSPORT in Serbo-Croatian No 12, Dec 80 p 20

[Excerpts] Today Yugoslavia's merchant marine has a fleet of 392 vessels with a deadweight tonnage of 3,858,490 tons and a value of 13,420,358,000 dinars. This fleet is distributed among the republics as follows: in Croatia 325 vessels with a deadweight tonnage of 2,548,179 tons; Montenegro 36 vessels with a deadweight tonnage of 850,378 tons; Slovenia 28 vessels with a deadweight tonnage of 453,843 tons; and Serbia 3 vessels with a deadweight tonnage of 6,090 tons.

The plan for construction of ships between 1976 and 1980 covers the building of 62 vessels with a total deadweight tonnage of 643,724 tons, and it was regulated by the Self-Managed (Piran) Agreement Between Shipbuilders and Maritime Shipping Enterprises. It was partially realized only with respect to the orders of the maritime shipping enterprises in Croatia: 70 percent in terms of deadweight tonnage and 102 percent in terms of the financial cost of new construction. There were 82 vessels built in foreign shipyards with a deadweight tonnage of 2,025,147 tons, and 159 vessels with a deadweight tonnage of 1,061,026 tons were purchased.

In the first 9 months of this year our merchant marine achieved a gross income of 19.08 billion dinars, which is 68 percent more than in the same period of last year. This ensured an income of 5.27 billion dinars, or 78 percent more than in 1979, and the net income distributed was up 92 percent and amounted to 3.67 billion dinars. Personal incomes in the first half of 1980 were up 31.9 percent over 1979. These operating results were achieved by a work force of 15,959.

Over the 9-month period the Yugoslav Merchant Marine earned an inflow of \$610,359,000 U.S., and the net foreign exchange inflow over the same period was \$298,964,000. It should be said that over last year as a whole the foreign exchange influx amounted to \$638 million and the net foreign exchange inflow was \$280 million.

Where From Here?

The problem of the fleet's age has persisted because of the impossibility of a constant rejuvenation of the fleet. The vessels are written off at a level of 62.51 percent, and the fleet's average age is over 13. The age-specific composition of the fleet is as follows:

<u>Year</u>	<u>Number</u>	<u>Gross Reg- istered Tons</u>	<u>Distribution</u>	
			<u>On Basis of Number of Vessels</u>	<u>On Basis of Gross Reg- istered Tons</u>
Under 4	38	578,896	11.2	24.2
5- 9	35	355,035	10.3	14.8
10-14	91	790,842	26.8	33.1
15-19	64	324,086	18.9	13.6
20-24	61	256,923	18.0	10.8
25-50	49	76,283	14.5	3.2
Over 50	1	7,168	0.3	0.3

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CSO: 2800

PLANS TO RENOVATE MERCHANT MARINE

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 19 Mar 81 p 3

[Excerpt] In the crisis which prevailed last year on the world maritime shipping market our own maritime shipping achieved constructive results. It is expected that this year will again bring quite a bit of business, and the principal preoccupation of shipping enterprises is how to update their fleets as much as possible and make them more fit for the ever greater competition on the maritime shipping market.

The Yugoslav Merchant Marine is becoming older and older, and many seaports in the world are therefore denying entry to its ships. At the end of last year the Yugoslav Merchant Marine had all of 175 vessels older than 15 years. Over the next 5 years the number of vessels at least 15 years old will increase to 266, and that would amount to more than 78 percent of our present merchant marine.

In their development plans up to the year 1985 work organizations in the Yugoslav maritime shipping industry have planned to replenish their fleet with 131 vessels with a total capacity of about 2,051,000 gross registered tons. Of that number 59 vessels with a total capacity of 1,145,530 gross registered tons are to be built in domestic shipyards, while 72 vessels with a total capacity of 904,400 gross registered tons are to be imported. Renewal of the Yugoslav Merchant Marine is becoming a necessity, and the question is how it is to be done.

Part of the program for new ship construction in Yugoslav shipyards has already been contracted for. Jugolinija of Rijeka has contracted for seven vessels, and certain other of our maritime shipping organizations have also done so. But this is only a minor part. The principal problem lies in the credit financing of new ship construction, since the potential of Yugoslav banks is not sufficiently involved in carrying out the extensive program of the shipbuilders and shipping enterprises. Unless our social community is entirely committed, the shipping enterprises say, it is difficult to expect major undertakings in modernizing the merchant marine, which is becoming an imperative at the present time, especially when one takes into account that maritime shipping has great importance to our overall development.

When we look at the advantages offered by the merchant marine as the most profitable carrier, the savings of the foreign exchange of exporters when they use Yugoslav vessels, which are between 45 and 55 percent cheaper, and the net inflow of

foreign exchange which the maritime shipping industry brings the community, it is indispensable that the merchant marine be accorded a more appropriate place on the market for cargo space in the world so that it can contribute more to the country's economic development. A lag in the development of the Yugoslav maritime shipping industry could create problems, especially since the world merchant marine is undergoing a powerful process of modernization.

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